

Report of the
Defense Science Board Task Force
on
**Management Oversight in Acquisition
Organizations**



March 2005

*Office of the Under Secretary of Defense
For Acquisition, Technology, and Logistics
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OFFICE OF THE SECRETARY OF DEFENSE

3140 DEFENSE PENTAGON
WASHINGTON, DC 20301-3140

DEFENSE SCIENCE
BOARD

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION,
TECHNOLOGY, & LOGISTICS)

SUBJECT: Final Report of the Defense Science Board (DSB) Task Force on Management
Oversight in Acquisition Organizations

I am pleased to forward the final report of the DSB Task Force on Management Oversight in Acquisition Organizations. This effort, chaired by Dr. Miriam John and Dr. Ronald Kerber, was one leg of your November 2004 three point plan as a result of the Darleen Druyun pleadings. The Task Force reviewed the management and oversight structure of acquisition activities within DoD to assess best practices and recommend changes to improve checks and balances to ensure acquisition integrity.

One of the Task Force's key findings is that while current acquisition practices make an incident on the scale of the Druyun case unlikely, there are currently no structural or policy mandates in place that would prevent this situation from recurring. The Task Force has focused its recommendations on process, oversight, leadership and people, and outlines a strategy to address both near term change as well as enduring change that would move DoD to a "best in class" high integrity organization.

I endorse the Task Force's recommendations. As some of the recommendations are offered to the Administration and the Congress, I encourage a wide distribution of the report.

William Schneider, Jr.
DSB Chairman





OFFICE OF THE SECRETARY OF DEFENSE
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DEFENSE SCIENCE
BOARD

MEMORANDUM FOR THE CHAIRMAN, DEFENSE SCIENCE BOARD

SUBJECT: Final Report of the Defense Science Board (DSB) Task Force on Management Oversight in Acquisition Organizations

The DSB Task Force on Management Oversight in Acquisition Organizations has completed its work and a final report is attached. The catalyst for the study was the admission by Darleen Druyun, former Air Force Principal Deputy Assistant Secretary, of her favorable treatment of Boeing Corporation in key contract awards and negotiations. The Task Force was established to review the management and oversight structure of the acquisition activities in DoD, to examine the structure in the Department, including the Military Departments, Defense Agencies, and those Combatant Commands with Title 10 authority for exercising acquisition authority and making acquisition decisions, and to recommend options for improving checks and balances to protect the integrity of procurement decisions.

The Task Force received briefings on the acquisition processes and practices of the Military Departments and a representative sample of other Defense agencies to include Special Operations Command, the Missile Defense Agency, and the Defense Advanced Research Projects Agency, and met with experts both inside and outside DoD in various fields, to include: acquisition; procurement; ethics and integrity; human resources; leadership; organization; oversight; and best practices. The Task Force concluded that practices within the other defense components with acquisition authority in DoD and the recent process and structural reforms of the Air Force make the likelihood of a recurrence of the Druyun situation remote. The Task Force found, however, that there is nothing in the current general acquisition structure or policies of the Department to prevent it from happening again. Therefore, the Task Force has made recommendations for immediate fixes in the areas of process and oversight, and for enduring change in the areas of leadership and people, as part of a two-step effort central to moving the Department to a "best in class" high integrity organization to mitigate a number of the ethical issues associated with, but not unique to, this case.

The Task Force believes that the recommendations in this report will enhance acquisition within the Department, without placing additional burden on an already extremely complex acquisition system. The Task Force is pleased to note that some of the recommendations in the attached report are already being addressed for implementation.

Dr. Miriam John
Task Force Co-Chair

Dr. Ronald Kerber
Task Force Co-Chair



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I. EXECUTIVE SUMMARY

Recent events in the Air Force surrounding the illegal actions of former Principal Deputy Assistant Secretary Darleen Druyun highlighted the need to review the management and oversight structure of acquisition activities in the Department of Defense (DoD). DoD, through the Undersecretary of Defense for Acquisition, Technology, and Logistics [USD(AT&L)], established the Defense Science Board (DSB) Task Force on Management Oversight of Acquisition Organizations to examine its acquisition structures and processes; survey and assess best practices; and recommend changes to improve checks and balances to better ensure acquisition integrity. The Task Force was also asked to consider whether: (1) structural problems exist that place too much decision authority in one individual or at a level without adequate oversight; and (2) a simplified acquisition structure could improve both efficiency and oversight.¹

The Task Force was co-chaired by two members of the Defense Science Board. Task Force members and key contributors included former Defense Department and other Federal Government officials, as well as members of industry and academia.² During the course of its work, the Task Force reviewed a wide array of written materials and heard from experts in the fields of acquisition, procurement, ethics and integrity, human resources, leadership, organization, oversight, and best practices.³

FINDINGS AND RECOMMENDATIONS

The Task Force identified a confluence of contributing factors in the case of Darleen Druyun:

- Exceptional expertise in contracting;
- Long tenure in her position;
- Gradual accretion of acquisition and personnel management authorities;
- Little oversight because of no immediate supervisor (or her supervisor delegated acquisition authorities to her);
- Abusive behavior to subordinates and contractors that was not apparent, or viewed as “tough, but fair” by supervisors;
- “Behind closed doors” decisions;
- Employment of her daughter and future son-in-law by Boeing.

In the case of this individual, too much control and management of too many functions with insufficient oversight resided in one person. Practices within the other defense components with acquisition authority in DoD and the recent process and structural reforms of the Air Force make the likelihood of a recurrence of a similar situation remote. The Task Force found, however, that there is nothing in the current general acquisition structure or policies of the Department to prevent it from happening again.

The Task Force concluded that the Department of Defense can and should not only avoid a recurrence of a similar situation, but also move to a “best in class” high integrity organization to mitigate a number of the ethical issues associated with, but not unique to, this case. To do so, it

¹ See Appendix A for a complete copy of the Terms of Reference.

² Appendix B provides a listing.

³ Appendices C and D list the reference materials and speakers brought in by the Task Force, respectively.

must address issues for the immediate future, as well as ensure enduring change. The Task Force's recommendations are divided into four areas of focus within those two themes.

THEME 1: ADDRESS THE IMMEDIATE ISSUES— PAY ATTENTION TO PROCESSES AS WELL AS PROGRAMS

A. Processes

Encode best practices into policy for major procurements.

The USD(AT&L) should require:

- An open, deliberative source selection process between DoD Service or Agency teams and source selection authorities;
- Written documentation of the source selection recommendations by all team members;
- Written justification of source selection decision by the source selection authority;
- Distribution of delegated acquisition responsibilities among qualified acquisition personnel;
- Effective feedback to all bidders;
- Additional avenues for voicing concerns; e.g., ombudsmen and ethics offices.

B. Oversight

Oversight of processes and practices is as important as oversight of programs.

USD(AT&L) should:

- Identify and share best practices, and question unusual practices and structures;
- Use mistakes and failures as case studies, and communicate them broadly;
- Require periodic self-assessments of acquisition organizations, practices, and processes, and expect continuous improvement;
- Monitor senior acquisition personnel performance and tenure.

THEME 2: ENSURE ENDURING CHANGE— DRIVE THE CULTURE TO A HIGHER STANDARD

C. Leadership

Leadership is at the center of high integrity organizations. Leadership in DoD should be more proactive to ensure that values and ethics are the foundation for all employee actions.

DoD should:

- Articulate DoD values and vision from the top down;
- Expect the highest integrity from its partners in industry;
- Place ethics at the forefront of Department communications: it's more than just compliance;
- Expand orientation programs in ethics and continual learning;
- Ensure flow-down to every employee.

D. People

"Best in class" high integrity organizations ensure leaders, not just skilled practitioners, for senior positions.

DoD, the Administration, and Congress should:

- Work together to streamline nomination and confirmation processes;
- Avoid more restrictions limiting recruitment of experienced personnel.

DoD should:

- Modernize the Senior Executive Service (SES) performance management system by
 - Instituting 360° feedback;
 - Implementing a rotation policy;
 - Removing impediments from bonus and development systems, especially for those willing to rotate.

OVERARCHING RECOMMENDATION

The Task Force was not charged with assessing the overall acquisition process, but the many sources of information received pointed to an extremely complex system requiring many inputs from many organizations with many people who can say "no" but few who can say "yes." This diffusion of authority enables those who master the system to gain power. Secondly, it appears to the Task Force that an excessive amount of resources is devoted to thwarting or uncovering relatively rare cases of fraud and abuse. The result is growing delays in acquiring important, even critical, capabilities for the warfighter. A better balance needs to be struck. The Task Force therefore recommends that the Department undertake a top-down internal assessment to simplify and streamline the system and better align the workforce as a result.

SUMMARY

Among the ranks of acquisition professionals, the task force believes that the overwhelming majority is ethical and hard-working. These people, individually and collectively, operate in a complex and, at times, conflicting world of law, regulations, and practices that is demanding and time-sensitive. They should not be encumbered with more rules and regulations since that would still not prevent a determined insider from illegal behavior. Their efforts should be enabled by a work environment that encourages and rewards integrity and mutual respect. Processes and oversight that reinforce key principles such as open communications, distribution of authorities, and ethical and respectful behaviors will not only assist in fairness to all, but will encourage the sharing of best business practices, improve decision making, and create an environment within which transgressions will be more difficult to hide.

Leadership drives "best-in-class" high integrity organizations. As such, skills for ethical leadership and management of people must be emphasized, and articulation of ethical management principles, from the top down, is critical. In the long run, the highest ethical standards and respect for each other will produce the best business practices.

Emphasize ethics and respect for people, and good business practices will follow



II. BACKGROUND

INTRODUCTION

In November 2004, the Acting Under Secretary of Defense for Acquisition, Technology, and Logistics [USD(AT&L)], requested that the Chairman of the Defense Science Board (DSB) establish a “Task Force on Management Oversight in Acquisition Organizations.” The Task Force met during December 2004 and January 2005. In early February 2005, the Task Force chairpersons presented the panel’s draft findings and recommendations to USD(AT&L), the Secretary of Defense, the Defense Science Board, the Office of Management and Budget/Office of Federal Procurement Policy, and to members of the House Armed Services Committee staff and the Senate Armed Services Committee staff. This report incorporates both the original insights and observations of the Task Force, as well as additional ones collected during these briefings.

In the Task Force Terms of Reference, USD(AT&L) noted that “Recent events have highlighted a need to review the management and oversight structure of the acquisition activities in DoD. The Department must ensure that there is effective oversight to ensure the integrity of all acquisition decisions.”⁴ To this end, the Task Force was directed to:

- Examine and assess DoD acquisition structures and processes across all departments, agencies, and commands with Title 10 acquisition authority;
- Survey and assess best practices across these same organizations; and
- Recommend changes to the structures, processes, and practices in order to improve checks and balances and better ensure acquisition integrity.

Two related issues were also raised for Task Force consideration:

- Do “structural problems exist that place too much decision authority in one individual or at a level without adequate oversight”?
- Could a simplified acquisition structure “improve both efficiency and oversight”?

To meet the challenge outlined in the Terms of Reference, the DSB assembled an expert panel representing broad acquisition knowledge and experience across a variety of military, government, industry, and academic organizations.⁵ The Task Force engaged acquisition experts, practitioners, and observers from government, industry, and academia.⁶ In addition, the Task Force reviewed documents, memos, and reports relevant to the Terms of Reference and its mandate.⁷ In general, the Task Force sought to gain as broad and timely a view of current acquisition issues as possible.

TERMS OF REFERENCE

- *Assess oversight to ensure the integrity of all acquisition decisions*
- *Examine and assess acquisition structures and processes*
- *Survey best practices*
- *Recommend changes to improve checks and balances and better ensure acquisition integrity*
- *Consider structural problems and simplification*

TASK FORCE MEMBERSHIP

Chairpersons:

- *Dr. Miriam John*
- *Dr. Ronald Kerber*

Executive Secretary:

- *Ms. Lisa Davis*

Members:

- *Mr. Irving Blickstein*
- *Mr. Stephen Conver*
- *Dr. Robert Howard*
- *ADM (Ret.) Donald Pilling*
- *GEN (Ret.) Louis Wagner*

Key Contributors:

- *Dr. Allan Burman*
- *Mr. Steven Schooner*

Government Advisor:

- *Dr. Gerald Abbott*

⁴ See Appendix A for a copy of the original Terms of Reference.

⁵ See Appendix B for a listing of Task Force members and key contributors.

⁶ Appendix C lists the presentations to the Task Force.

⁷ Appendix D lists these sources.

THE CASE STUDY OF DARLEEN DRUYUN

THE DARLENE DRUYUN CASE: A CONFLUENCE OF FACTORS

- *Perceived as having exceptional expertise*
- *Long tenure in the job*
- *Gradual accretion of more authority, endorsed by civilian AF leadership*
- *Source selection, contract negotiation, fee determination, personnel management, even occasional influence in requirements*
- *Little oversight*
- *Tough, but fair (superiors) vs. abusive (subordinates and contractors)*
- *Independent operator with many decisions made "behind closed doors"*
- *Employment of daughter and future son-in-law*

The catalyst for the study was the admission by Darleen Druyun of her favorable treatment of Boeing Corporation in key contract awards and negotiations. The Task Force spent time understanding the environment and decisions that enabled her to do those things as a basis for separating the unique aspects of her case from more systemic issues.

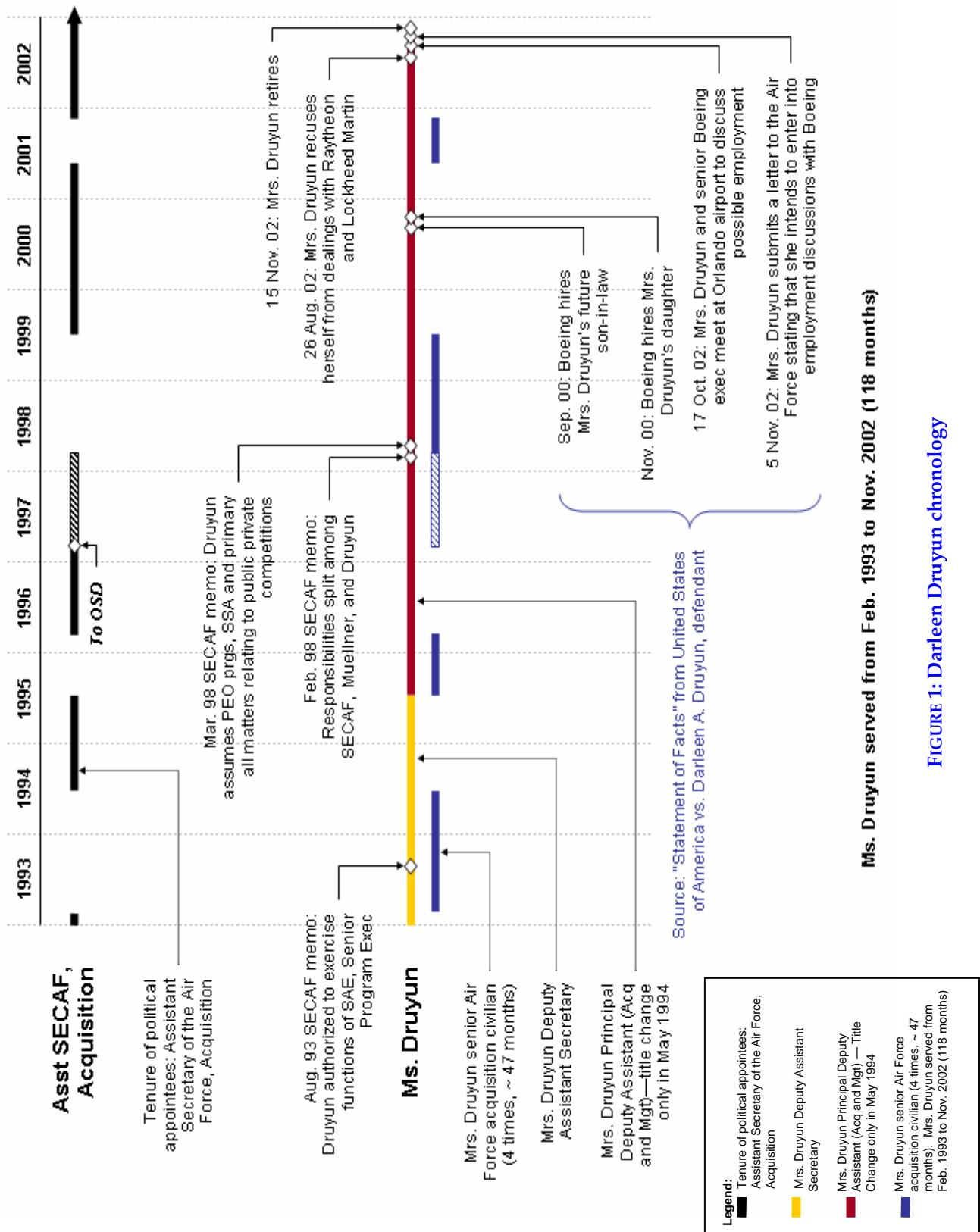
From 1993 until her retirement in November 2002, Ms. Druyun was Deputy or Principal Deputy Assistant Secretary of the Air Force for Acquisition and Management. During periods when the position of Assistant Secretary of the Air Force for Acquisition (her immediate supervisor) was unfilled, she also served in an acting capacity in that role. In her signed plea to the court and post-plea admissions,⁸ Ms. Druyun admitted to job discussions with Boeing while still actively involved in negotiating a major Air Force contract with that company. She also admitted favoring Boeing in earlier contract decisions in order to further employment opportunities for her daughter and future son-in-law.

The Task Force discovered a confluence of factors that created a high risk situation which Ms Druyun took advantage of. She had personal responsibility for a wide range of activities including source selection, contract negotiations, fee determinations, and personnel actions. In the other Services and defense components with Title 10 authorities, these activities are normally delegated to, or shared with, other officials. In addition, she received little oversight or supervision from political superiors in the Air Force or the Office of the Secretary of Defense (OSD). She was given these authorities over time by her civilian leadership, in spite of concerns expressed by many of the senior military officers in the Air Force.

This situation appears to have resulted from: (1) her highly regarded capabilities, especially in contracting, and well recognized knowledge of the system; (2) her lengthy tenure as the Air Force's leading acquisition professional; and (3) the absence during much of her tenure of an appointed Assistant Secretary for Acquisition who would have served as her immediate supervisor. Also, by virtue of her considerable influence over careers and promotions of both military and civilian personnel, she appeared able to control subordinates and suppress criticism and dissent. Finally, employment at Boeing for her daughter and future son-in-law, in the context of her position and authority, should have raised concerns, at least to assure that no conflict of interest or favoritism had been in play.

Figure 1 summarizes the chronology of Ms. Druyun's tenure as Air Force Acquisition Executive coincident with her personal dealings with Boeing. In particular, it indicates: (1) the absence of an appointed Assistant Secretary of the Air Force for Acquisition during much of her tenure; (2) the successive accumulation of responsibilities that were assigned to Ms. Druyun over this time; (3) the potential for conflict-of-interest arising from the employment by Boeing of her daughter and future son-in-law; and (4) her discussions with Boeing about possible employment prior to recusing herself from dealings with Boeing.

⁸ U.S. District Court for the Eastern District of Virginia, Criminal No. 04-150-A, Supplemental Statement of Facts and Supplemental Plea Agreement, July 2004.



THE ACQUISITION PROCESS

The immediate results of the Druyun case have been a loss of confidence in the acquisition system, a decline of morale in the acquisition workforce, potential program delays, and possible increased costs due to potentially tainted contracts, time consuming investigations and review, and pressures for yet more legislative and administrative restrictions that could be wasteful and counter-productive.

Figure 2 depicts the general structure for the oversight and execution of major defense acquisition programs.⁹ Although all procurement authority is exercised and overseen as depicted on the right side of the chart, many procurements are executed directly in support of customers and requiring activities (e.g., military construction, base support services, general supplies) and are not part of major acquisition programs.

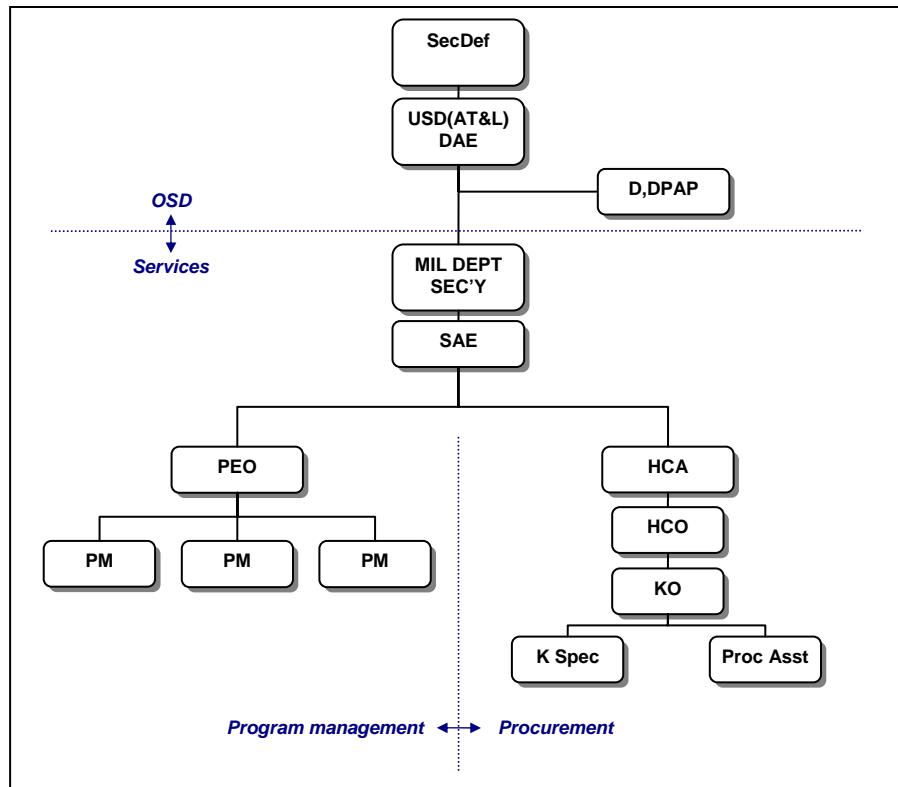


FIGURE 2. DoD Acquisition Process

All procurement and acquisition program oversight authority resides with the USD(AT&L) by virtue of statute and delegation from the Secretary of Defense. The acquisition and procurement management responsibilities of USD(AT&L) are generally supported by the Director, Defense Procurement and Acquisition Policy (D, DPAP),

⁹ There are some exceptions, such as space programs, which are managed by the Under Secretary of the Air Force by designation of the Secretary of Defense.

while program management is supported by the Director, Defense Systems. The Under Secretary is authorized by statute and by the implementing DoD Directive to direct the Secretaries of the Military Departments and the heads of other DoD components in matters within his responsibility.

Within the Military Departments a similar structure exists. An Assistant Secretary serves as the Senior Acquisition Executive (SAE) and is responsible for both program management and acquisition oversight by delegation from the Military Department Secretary and by delegation in agency-wide directives and regulations. Below the level of the assistant secretary, the two functions separate, with program management responsibilities exercised by Program Executive Officers (PEOs) and Program Managers (PMs), and procurement responsibilities exercised by Heads of Contracting Activities (HCAs). The Defense Agencies generally replicate the structure of the Military Departments with program management and procurement functions merged in the directors, but separated below the level of the directors.¹⁰ The Director of Defense Procurement and Acquisition Policy serves as the “head of the agency,” as the term is used in the Federal Acquisition Regulation, for the defense agencies.

The separation of program management and procurement functions is reinforced by policy of the USD(AT&L), first issued in 1993 and reissued on November 23, 2004. The policy provides for contracting officers to be independent of the program management structure in order to ensure independent business and professional judgment. Some functions supporting acquisition, such as Source Selection Authority and membership on Source Selection Evaluation Boards and Source Selection Advisory Boards are assigned for individual acquisitions and may include participation of program management personnel, acquisition personnel, and user representatives.

The structure supports common oversight of the procurement and program management functions yet separates the functions for program and procurement execution. Checks and balances are built into the structure, so long as the separation is maintained not only between program and procurement execution, but also between execution and oversight.

Darleen Druyun sat at the apex of the two branches of Figure 2 as deputy or principal deputy to the SAE and for extended periods of time, served as the acting SAE in the Air Force acquisition organization. Over the years of her tenure, she accumulated and exercised her authority along both lines, but the abuses in question were principally along the procurement track of the right hand branch, and it is on this branch that the Task Force focused its attention. The Air Force procurement process grew increasingly centralized during her tenure, and in this sense it differed from the procurement processes in either the Navy or the Army. Interestingly enough, at the time, the Air Force process was often praised as representing a better, more streamlined way of doing business.

¹⁰ MDA is an exception.

While Figure 2 provides the general model for acquisition in DoD, there is considerable flexibility available in the delegation and implementation of the authorities below the dotted line, and practices vary among the military departments and defense components. Although a concentration of authorities delegated in a single individual is unusual—as was the case with Ms. Druyun—it could still occur in any of the acquisition defense components in the absence of appropriate oversight and built-in checks and balances.

In addition, the simplicity of Figure 2 belies the complex environment within which the DoD acquisition system operates:

- The efficient and effective operation of the system is challenged by an array of competing priorities and conflicting requirements, e.g., rapid delivery of essential equipment versus risk avoidance, best value versus adherence to legislated imperatives supporting protected groups of suppliers, etc.
- Because of the complexity of the acquisition system and its regulations, the temptation to rely increasingly on experts who can master the details of the system (as was the case for Ms. Druyun) exists.
- Burdensome reporting requirements exist, and excessive resources are aimed at uncovering relatively rare cases of fraud and abuse. The compliance focus of the system has continued to result in growing delays in providing the warfighter with the best capabilities available.
- Instabilities in funding and program requirements result in additional waste and inefficiencies.
- Because a shrinking supplier base is competing for fewer major programs, there may in the future be increased temptation for unethical, if not illegal, behavior.

It is in the context of these challenges and complexities that the Task Force recommends actions which can be taken to inhibit the likelihood of recurrence of a similar situation while mitigating further system complexities and oversight.

III. PRINCIPAL FINDINGS AND RECOMMENDATIONS

In the process of formulating the findings and recommendations, the Task Force came to believe that DoD should address near term, as well as longer term, more systemic issues.

To deal with the immediate issues, there are several process and oversight gaps brought to light with the transgressions of Ms. Druyun that once addressed, should mitigate the recurrence of the factors which could create a similar situation in the future. At the same time, the Task Force recognized that no amount of added rules, processes, and/or legislation can prevent illegal or unethical behavior by a determined individual. There are, however, positive steps that can be taken to “raise the bar” to a higher standard of ethics that would further inhibit such behaviors in the future—and lead to a better managed and operated organization. These steps come in the form of leadership actions and people management policies and practices for assuring enduring change for the longer term.

The full set of recommendations serves to reinforce what the Task Force believes is the principal mission of acquisition: *to provide the warfighter with world-class capabilities, effectively and efficiently, without sacrificing legal or ethical behavior.* The Task Force was continually impressed with the number of people interviewed who were motivated not only to do things right, but also to do the right thing. That ethos provides the solid foundation on which DoD can build.

THEME 1: ADDRESSING THE IMMEDIATE ISSUES— PAY ATTENTION TO PROCESSES AS WELL AS PROGRAMS

PROCESSES

Findings: The Task Force reviewed the acquisition processes and structures, with attention to checks and balances, of a wide range of organizations within DoD. These included all the Services, the Missile Defense Agency (MDA), Special Operations Command (SOCOM), the Defense Advanced Research Projects Agency (DARPA), the Advanced Concept Technology Demonstrations (ACTD) program, the Joint Rapid Acquisition Cell (JRAC), and the Special Access Programs (SAP). The Task Force also reviewed a specific program from each organization, presented by the PEO, to better understand implementation of the advertised process.

Although the Task Force found a wide variety of structures and approaches adapted to the needs of individual organizations and programs, some general observations became evident. With respect to checks and balances, organizations (other than the Air Force during Ms. Druyun’s tenure) separate authority for source selection contract negotiation and/or renegotiation, and program execution where appropriate – most especially for larger programs. They also exercise internal review, oversight, and communication mechanisms that provide a high level of organizational visibility into key decisions. While not the case under Ms. Druyun’s tenure as Principal Deputy, the Air

FOUR ISSUES

Immediate issues:

- *Processes*
- *Oversight*

Issues for enduring change:

- *Leadership*
- *People*

FINDINGS: PROCESSES

- *Processes and structures vary among defense components, but...*
 - *They follow most of the same general principles to assure checks and balances*
 - *AF, under Druyun's later tenure, operated differently from the rest*
- *AF has recently made acquisition organizational changes and appears to be executing more in line with peers*
- *Some added checks and balances are needed to guard against a repeat of Druyun situation*

Force has made recent changes to better assure execution of acquisition functions consistent with these same general principles. It is important to note, however, that the Task Force could find no set of policies that underpinned such practices, so that in theory, at least, a recurrence of a “Druyun” situation would be possible.

One of the contributing factors to Ms. Druyun’s ability to make the favorable award decisions to Boeing she has claimed appears to be the accumulated authorities that she garnered for source selection, contract negotiation, and fee determination. While she appears to have rarely exercised that full suite of options, she was able to do it when she chose. In addition, the fact that she controlled the personnel actions and performance reviews of all senior acquisition professionals in the Air Force, both civilian and military, meant that few openly questioned her decisions.

A final finding regarding processes relates to the awareness of Ms. Druyun’s unprofessional behavior and questionable practices with personnel reporting to her and the contractors with whom she dealt. The Task Force was given conflicting information about complaints to the Inspector General (IG) - from seldom reported, on the one hand, to the most cited senior executive in the Department, on the other. Regardless, her behavior was interpreted by her superiors as “tough, but fair.” Other avenues for reporting besides the formality of an IG inspection are common in the private sector (e.g., ombuds, ethics offices, etc.). The Task Force did not see that these avenues proved effective for surfacing her questionable behaviors.

RECOMMENDATIONS: PROCESSES

- *For major procurements, USD(AT&L) codify best practices into policy*
 - *Written recommendations by advisory bodies to the source selection authority (SSA)*
 - *SSA documentation of decision and rationale*
- *USD(AT&L) ensure process for meaningful feedback to bidders*
- *USD(AT&L) ensure distribution of delegated acquisition responsibilities for major procurements*
- *Oversight, source selection, and contract negotiations should not all reside in one person*
- *Provide many avenues for voicing concerns*

Recommendations: The Task Force recommends that some key aspects of the sound practices of the Services be documented in policy to assure their continuation through successive leadership changes in each organization. As a first step, the Task Force recommends that for major procurements, USD(AT&L) require each of the key acquisition authorities in the department to codify the following:

- Advisory bodies (the Source Selection Evaluation Board and the Source Selection Advisory Board) to the Source Selection Authority (SSA) should provide a written report of their assessment and recommendations to the SSA. The ideal process would have a periodic and open dialogue between the SSA and his/her advisory bodies to create an assessment as complete as possible and to ensure that dissenting views are surfaced and addressed.
- The SSA should be required to document his/her decision and rationale, whether he/she agrees with - or differs from - the recommendations of the advisory bodies. That decision should be reviewed through the established mechanisms of the organization.

The Task Force also found a high degree of variability in the feedback approaches to bidders and recommends that meaningful processes be put in place.¹¹ This would have the advantage of improving the overall quality of the bids, if executed not only at the end of the process, but at interim points, and of minimizing protests once the decision is made.

¹¹ The Task Force learned of an excellent example practiced by the Navy in its Littoral Combat Ship program.

To address the issue of accumulated authorities in one individual, USD(AT&L) should require that each Senior Acquisition Executive put in place the policies and process checks to ensure that such an accumulation not be allowed to occur among the SES professionals, and that major award decisions not be made repetitively by the same individual.

As a foundational element for creating enduring change, the Task Force recommends that DoD benchmark organizations where additional avenues for addressing questionable behaviors and practices, such as ombuds and ethics offices, are effectively utilized, and adapt those models throughout the Department.

OVERSIGHT

Findings: The Defense acquisition system is extremely complex and is a major management challenge for senior acquisition officials. Developing more rules and regulations to address the acquisition abuses that catalyzed this study is not a good solution. It would make an already difficult system even more complex and could lead to further abuses by decreasing the number of individuals who are sufficiently skilled in mastering the system.

In conjunction with this observation, it was evident to the Task Force that the internal and external oversight environment within which Defense acquisition organizations operate inhibits critical self-assessment. This became acutely apparent when the Task Force asked each of the Title 10 organizations it reviewed to provide such a self-assessment with consideration to the question of whether a single person could abuse his or her authority as Ms. Druyun had. The answer from all (including the reformed Air Force) was that it could “never happen here.” The Task Force believes this answer naïve given their reliance on practice vs. policy. More significantly, the positive “spin” provided to the Task Force can be viewed, in retrospect, as an expected product of an environment which focuses on compliance and laying blame vs. one of continuous self-improvement. As one applies this observation to the particulars of the Druyun case, current practices would likely prohibit the opportunity for repeated favorable treatment of a single contractor, but there is no policy that explicitly deals with such a situation.

Based on the input of many former and current senior officials in USD(AT&L) organizations, the Task Force came to the conclusion that USD(AT&L) has not exercised his/her full authorities to oversee processes (structure, policies, practices) as fully as programs of the acquisition authorities throughout the Department. Perhaps the most remarkable example of this point was the failure to engage USD(AT&L) in issuing the March 1998 Secretary of the Air Force memo which consolidated essentially all acquisition authorities, oversight, and management with Ms. Druyun. Clearly this was a major change to the Air Force’s acquisition process, but the senior acquisition executive in the DoD, USD(AT&L), was not consulted. Had that happened, it would have been immediately apparent that the Air Force acquisition structure and process were becoming very different from those of the other two military departments, and the consolidation of authority in a single individual demanded checks and balances not evident in the arrangement. It is imperative that the USD(AT&L) be actively engaged in reviewing the structure, policies, and practices of each of the Defense acquisition

FINDINGS: OVERSIGHT

- *More rules and restrictions are not the solution (this doesn't work well, even with this wording change)*
- *Environment does not support critical self-assessment*
- *USD(AT&L) has not exercised authorities to oversee processes (structure, policies, and practices) as fully as programs of acquisition organizations*

organizations to ensure a proper balance of authorities and to avoid the potential for internal abuses.

RECOMMENDATIONS: OVERSIGHT

USD(AT&L) should oversee processes as well as programs

- *ID and share best practices*
- *Question unusual practices and organizational structures*
- *Use mistakes and failures as case studies, and communicate them broadly*
- *Require defense components to perform periodic critical self-assessments and demonstrate continuous self-improvement*
- *Develop and periodically review metrics roll-up on senior acquisition leaders*

Recommendations: The sidebar lists specific actions USD(AT&L) should take to address the oversight issues identified above. Each action provides the USD(AT&L) an opportunity to ensure appropriate policy consistency across Defense acquisition organizations and represents new ways to achieve it. As a set, the actions are closely aligned with processes practiced by many defense contractors with strong ethics programs.

The need for critical self-assessment cannot be overemphasized. The Pentagon is not an environment in which time is taken to do such assessments (the military safety communities being the principal exceptions). The acquisition work force is focused on delivering quality instruments of war to the warfighters, and successful individuals—both military and civilian—are rewarded with even more responsibility when they succeed. However, they focus on the acquisition program(s) which they manage or oversee, not on the process or potential process improvements. Adding this extra dimension of self-assessment and sharing best practices is needed, and the USD(AT&L) must lead the implementation of changes to support self-assessment and continuous improvement within DoD.

An additional oversight improvement relates to oversight of the senior personnel themselves. A periodic review of key metrics such as tenure on the job, performance evaluations, recent program awards in which they played a role, etc., is important for implementing the principal recommendations that follow in a later section for “people,” especially to support rotation and career development.

THEME 2: ENSURE ENDURING CHANGE— DRIVE THE CULTURE TO A HIGHER STANDARD

LEADERSHIP

FINDINGS: LEADERSHIP

- *Leadership is at the center of high integrity organizations*
- *DoD has some of the pieces for the ethically grounded organization, but not all*
- *DoD lacks the systematic, integrated approach of “best in class”*

Findings: The Task Force observed in discussions with industry and respected academics that ethical behavior is, first and foremost, a function of leadership. In those organizations where ethics has become a part of the culture, the commitment of the organization’s leadership is clearly visible. While DoD has a number of the pieces for the ethically grounded organization, the Department lags behind the “best in class” in creating a systematic, integrated approach and in demonstrating the kind of leadership necessary to drive ethics to the forefront of organizational behavior.

The Task Force also determined that the defense industry has had an economic incentive to implement sound ethics programs through their Business Conduct Guidelines and Defense Industry Initiative (DII) programs while the DoD – and indeed most government agencies – has no such incentive. In fact, the DoD focus is almost entirely on compliance and is driven by the emphasis coming from many parts of the government on eliminating fraud and abuse, no matter the cost in oversight, auditing,

and reporting. The ethical organization prominently supports not only “doing things right,” but also “doing the right thing.”

The Task Force observed that organizations known as role models share a number of common characteristics. Ethics is treated as more than a “check the box” activity. Senior executives emphasize ethics in their interactions and presentations to employees, they accept personal responsibility for maintaining ethics in the corporate culture, and they are almost obsessive in reiterating the company’s values upon which “doing the right thing” is based. Executive leadership is supported by a senior colleague responsible for the ethics programs of the organization. That executive typically reports to the CEO, with parallel reporting to the Board of Directors.

Expectations for ethical behavior extend to everyone in the organization. Rewards and recognition reinforce the commitment to ethical behavior. Standards and norms are well understood and enforced consistently, effectively, and fairly – accompanied by frequent communication to highlight both exemplary and unacceptable behaviors. Transgressions are dealt with promptly, with actions and interventions targeted to deal with specific root causes, as well as with the individual transgressor(s). Timely self-disclosure of transgressions to customers and stakeholders is the norm. Leadership engages in open discussion about transgressions, supporting employees in making sense of it and in “recovering.”

Recommendations: The Task Force recommends that the Department, under the leadership of the Secretary of Defense, explicitly articulate its vision and values as an ethically grounded organization, in much the same fashion that the Department expects of its contractors.

Specific actions for the Secretary of Defense include putting ethics at the forefront of DoD communications. He should also institutionalize an orientation program in the Office of the Secretary for incoming senior leadership that addresses the values and national security objectives of DoD and the incumbent Secretary, emphasizes the importance of leadership to sustain the ethical culture of the Department, and makes clear the performance expectations for each individual in supporting both achieving the objectives and promoting the ethical environment.

In turn, senior DoD leadership must ensure the flow-down to all individuals. This includes both promoting ethical behavior and emphasizing the organization and personal consequences of transgressors. Care must be taken to encourage prudent business risk-taking, distinguishing it clearly from illegal or unethical behaviors. A tolerance for, and learning from, honest mistakes should be the norm.

ATTRIBUTES OF MODEL CULTURES

- More than just compliance; e.g.,
 - Senior leaders accept primary responsibility
 - Standards enforced consistently, effectively, fairly
 - Organization is self-policing
- Transgressions are openly discussed

RECOMMENDATIONS: LEADERSHIP

- DoD should articulate more explicitly its vision and values as a high integrity organization and expect the same of its contractors

Secretary of Defense should:

- Put ethics at the forefront of Department communications
- Institutionalize an orientation program in the Office of the Secretary for incoming senior leadership that addresses:
 - The values and objectives of DoD and the Secretary
 - Importance of leadership to sustain an ethical culture
 - Performance expectations tied to both of the above
- Senior DoD leadership ensure flow-down

PEOPLE

FINDINGS: PEOPLE

- *People issues at senior levels compromise performance*
- *Senior appointed acquisition positions go unfilled for far too long*
- *SES performance management lags best practices*
- *Senior military personnel in acquisition positions rotate frequently*

Findings: The Task Force identified several issues at senior levels that can compromise overall performance of the acquisition process. One is the difficulty in filling confirmed positions. A contributing factor to Ms. Druyun's accretion of authority was that the position of Air Force Assistant Secretary for Acquisition remained unfilled for extended periods. While this situation was not the cause of Ms. Druyun's misconduct, it did provide an opportunity for her to abuse her power.

A second issue is that Senior Executive Service (SES) performance evaluations and personnel practices are not on a par with those for military officers or senior executives in many corporations.

- The current evaluation system does not address behavioral problems to any degree. Hence, it apparently did not come to the attention of Ms. Druyun's superiors that she was allegedly hostile to subordinates and corporation representatives who dealt with her. Given her personnel authorities, subordinates have admitted that fear of retribution was certainly an inhibitor to reporting her conduct.
- Rotation of SESs in key positions is rare because their superiors tend to depend on them for their expertise and are reticent to bring in a new individual. The SESs who master the intricacies of the complex DoD acquisition system can make themselves invaluable because of this knowledge.
- While there are detailed guidelines for the career development of acquisition personnel below the SES level, education, training and career development for SESs is largely at local discretion, and more often than not, senior oversight managers of SESs seem to believe SESs no longer need continuous education and training.

Another important issue is that senior military acquisition officers are rotated much more frequently than their civilian counterparts. This has two adverse effects in the acquisition environment. First, the military find it difficult to become experts in their jobs before they are transferred. Second, SESs can gain much more power because of longevity in their positions.

The Task Force does not dispute that the principal reason for the rapid turnover of military acquisition personnel is to assure that they remain competitive with their peers inside and outside the acquisition community. However, the Assistant Secretaries or their SAE equivalents in agency acquisition positions must take care that the military officers do not become overly dependent on SESs with detailed knowledge of acquisition, nor that either side creates unhelpful tension over "who's in charge". The goal must be a partnership to achieve the best acquisition decisions that combine the expert process knowledge of the civilians and the understanding of warfighter requirements of the military.

Recommendations: The Secretary of Defense should place additional priority on filling appointed acquisition positions in the Department. It is understood that the difficulty in filling these positions is not totally under the control of DoD. However, the recommendations of the Volcker Commission¹² and Congressmen interested in reform are providing an opportunity to be acted upon.

- Reforms are needed in both the nomination and confirmation processes. The vetting process takes entirely too long. Confirmation can be held up in the Senate because of questions unrelated to the candidate. A high priority should be assigned to working with the Administration and the Senate to streamline and accelerate the process.
- While it is often difficult to predict when a vacancy will occur, the Secretary of Defense should establish a succession list so that the vetting process can be started before the vacancy occurs. In addition, the Secretary should solicit recommendations for probable candidates from industry CEOs and from the many advisory boards for the Department, whose members have already had some degree of vetting. To prevent later problems, it may be helpful to undertake a more comprehensive vetting with the help of the FBI, especially for high level positions that should not go unfilled. It would also help if some of the more onerous requirements were examined for their validity.

The Undersecretary of Defense for Personnel and Readiness [USD (P&R)] should modify the SES performance management system to bring it more in line with that of military personnel and senior personnel in the private sector. In particular, USD (P&R) should:

- Institute a 360-degree feedback technique to help prevent behavior such as that apparently exhibited by Ms. Druyun. Input from subordinates, peers and industry, if the individual interfaces with them, should be included. "Safe" environments must be created for the feedback to be given and addressed. Retribution must be carefully monitored.
- Establish a 5-year DoD SES rotation policy with a one-time only waiver of two years or less. In the case of senior acquisition SESs, the USD (AT&L) should approve the waiver. The rotation policy will only work if procedures are established to assure that SESs do not lose bonuses because of rotation. This could be accomplished by a number of means, e.g., assure that the rotated individual receives no less than their previous year's bonus, or that their allocation transfers with them.
- Require that SESs participate in continuing professional development to help mature them into leaders in the same manner that the military requires of their officers.

Finally, the Standards of Conduct should be examined to determine the requirements that prevent individuals from wanting to work for the Government. It should delete requirements that do not add to sound ethics, but amend the standards to include employment disclosure on majority children and their spouses.

RECOMMENDATIONS: PEOPLE

- *SecDef place priority on filling appointed acquisition positions*
 - Champion reforms to streamline nomination and confirmation processes
 - Institute a succession planning process
 - Avoid more restrictions that would limit interest by experienced personnel
- *USD(P&R) modernize SES performance management practices*
 - Institute 360° feedback
 - Implement 5-year DoD-wide rotation policy
 - Revise bonus and reward system
 - Require continued leadership development
- *Standards of Conduct add disclosure requirement for employment of majority children*

¹² "Urgent Business for America: Revitalizing the Federal Government for the 21st Century," report of the National Commission on Public Service, January 2003.



IV. ADDITIONAL ISSUES AND RECOMMENDATIONS

CONTRACTS FOR SERVICES

In reviewing the procurement process, the Task Force found that the procurement of service contracts represents more than 50 percent of the total DoD procurement. The Task Force is certain that many of these contracts are supporting our warfighters in the field and that others represent the smart use of DoD funds to outsource some non-critical functions. However, the Task Force recommends that USD (AT&L) closely monitor the new defense component services acquisition oversight processes as they mature to assure the effectiveness of the processes, especially in confirming that these contracts represent the best use of DoD resources. The Task Force is concerned that a significant portion of these funds are supporting hidden administrative functions for a department already high on overhead.¹³

SERVICE CONTRACTS

- *Service contracts are now greater than 50 percent of DoD procurements*
- *DoD needs to closely monitor new defense component services acquisition oversight processes as they mature*
 - *To assure their effectiveness*
 - *To avoid the creation of more bureaucracy*

OVERARCHING RECOMMENDATION: FOCUS ON WASTE IN THE ACQUISITION PROCESS

While a comprehensive review of the acquisition process was well outside the scope of this study, the Task Force was astounded by the complexity of the process and the length of time required to develop and field materiel. Development times have been decreasing in the private sector over the past decade by at least a factor of two, while development times in DoD are increasing. Several studies and commissions have looked at this process but it only seems to get worse. The Task Force believes that real and effective change can come only from within the Department. This requires a prolonged and sustained effort by senior leadership to improve the process and remove bureaucracy and redundancy of various organizations. Although almost all of the people involved are well intentioned, they tend to represent a narrow organizational interest. There are many who can say no but few with the authority or willingness to say yes. What seems to be missing is the understanding that delays result in denying our troops in the field equipment to help do their jobs better and more safely. In addition, such a complex process adds power to those in a position that master it, a fact that the Task Force believes clearly contributed to the central issue addressed by this study.

ACQUISITION WASTE

- *DoD leadership undertake top-down assessment*
 - *Revisit prior commission and study recommendations and intervening legislation*
 - *Scrub process and reporting requirements, eliminating those not needed*
 - *Promulgate best practices for more rapid acquisition*
 - *Seek legislative relief where needed*
- *Match acquisition workforce to new streamlined processes*

¹³ See also a recent report that addressed this issue in more depth: “Recent Large Service Acquisitions in the Department of Defense: Lessons for the Office of the Secretary of Defense” Frank A. Camm, Irv Blickstein, Jose Venzor, RAND document no. MG-107-OSD, 2004.



V. SUMMARY

The Task Force believes that DoD, with the sound compliance basis it already possesses, coupled with the commitment of its workforce to the mission of the Department, can become the standard for “best in class” in creating the ethical climate for a federal organization.

The first steps are to address process and oversight improvements to assure that the probability of another situation similar to Ms. Druyun’s is highly unlikely. Regarding processes, encoding current practices in policy to assure organizational openness and review in source selection, and distribution of acquisition responsibilities, is needed, along with simplification and streamlining. Oversight, currently heavily focused on program execution, should be better balanced to address both processes and programs. At the process level, it should extend beyond the current focus that audits only against stated processes to include an examination of whether those stated processes reflect best practices for efficiency and responsible stewardship. Such a shift can lead to positive outcomes as best practices are shared and recognized.

The longer term steps should aim to adapt at the federal level the best of the private sector. Success requires first and foremost the sustained attention of DoD’s leadership, starting with the Secretary of Defense, to articulate the values of the Department and to assure that the reward system of the Department reinforces the importance of ethical behaviors as well as excellence in delivering products. For leadership to succeed, however, some key changes in the performance management processes of the Department, especially for the SES workforce, are required—changes that will develop leaders, not just highly skilled practitioners.

MOVING TO “BEST IN CLASS”

- Addressing the immediate issue: *Pay attention to processes as well as programs*
 - Processes: Greater transparency, assured distribution of responsibilities, simplification and streamlining
 - Oversight: Processes, as well as programs; achieving insight with oversight
- Ensuring change for the long term: *Shift the culture*
 - Leadership: More proactive to ensure that values and ethics are the foundation for all employee actions
 - People: Ensuring the placement and development of leaders, not just skilled practitioners





THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

NOV 12 2004

MEMORANDUM FOR CHAIRMAN, DEFENSE SCIENCE BOARD

SUBJECT: Terms of Reference – Defense Science Board Task Force on
Management Oversight in Acquisition Organizations

You are requested to establish a Defense Science Board (DSB) Task Force on Management Oversight in Acquisition Organizations.

Recent events have highlighted a need to review the management and oversight structure of the acquisition activities in DoD. The Department must ensure that there is effective oversight to ensure the integrity of all acquisition decisions. The Task Force should examine the structure in the Department, including the Military Departments, Defense Agencies, and those Combatant Commands with Title 10 authority for exercising acquisition authority and making acquisition decisions, and should recommend options for improving checks and balances to protect the integrity of procurement decisions. In addition, the Task Force should attempt to survey best practices within the Department and recommend those that should be replicated across all major acquisition organizations. The Task Force should also identify whether structural problems exist that place too much decision authority in one individual or at a level without adequate oversight.

The Task Force should assess:

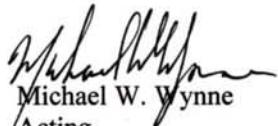
1. Whether all major acquisition organizations within the Department have adequate management and oversight processes, including what changes might be necessary to implement such processes where needed. The oversight function should be examined with respect to Title 10 and military department regulations to ensure that proper checks and balances exist.
2. Whether simplification of the acquisition structure could improve both efficiency and oversight.

The Task Force should report its results to me no later than January 31, 2005.



The study will be sponsored by me as the Acting Under Secretary of Defense (Acquisition, Technology and Logistics) and the Director, Defense Procurement and Acquisition Policy. Dr. Mim John and Dr. Ron Kerber will serve as the Task Force Chairpersons. Mrs. Lisa Davis will serve as the Executive Secretary and LTC Scott Dolgoff, USA, will serve as the DSB Secretariat representative.

The Task Force shall operate in accordance with the provisions of the *Federal Advisory Committee Act*, P.L. 92-463, and DoD Directive, 5105.4, *DoD Federal Advisory Committee Management Program*. The Task Force should not review individual acquisition decisions or "particular matters" within the meaning of 18 United States Code § 208.



Michael W. Wynne
Acting

B. TASK FORCE MEMBERSHIP

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C. BRIEFINGS RECEIVED

1 Dec. 2004

Ethics in Procurement Matters	Mr. Jeff Green	OSD
Senior Executive Service Personnel Policies	Ms. Jeanne Raymos	OSD
Legal Perspective on Acquisition Process	Mr. Doug Larsen	OSD
DoD Procurement Overview: Source Selection Oversight	Ms. Deidre Lee	OSD
Defense Acquisition Board	Dr. Nancy Spruill	OSD

17 Dec. 2004

SOCOM Business Principles and Practices	Dr. Dale Uhler	SOCOM
MDA—Program: Kinetic Energy Interceptors	Mr. Terry Little	MDA
Air Force—Programs: Settlement of the H-22 Clause/Global Sustainment Partnership	Dr. Marvin Sambur	USAF
Army—Program: Joint Common Missile Program	Mr. James Inman	USA
Navy—Overview of Policy and Procedures	Mr. Tom Essig	USN
Navy—Program: Littoral Combat Ship (LCS) Program	RADM Hamilton	USN

10-11 Jan. 2005

Business Ethics at General Electric	Mr. Tom Cooper	GE
Acquisition Structure	Mr. Paul Schneider	Former PDASN (RDA)
Acquisition Workforce	Ms. Mary Thomas	OUSD(AT&L)
Briefing and discussion	Dr. Sheila Widnall	MIT
DoD IG Investigations/Timeline	Mr. Tom Gimble	OSD
Good Ethics, Good Procurement, and Integrity and Transparency	Professor Alec Horniman	University of Virginia
Management Oversight in Acquisition and Technology Organizations	Ms. Sue Payton	OSD
Joint Rapid Acquisition Cell (JRAC)	Mr. Bob Buhrkuhl	JRAC

17-18 Jan. 2005

Briefing and discussion	Ms. Eleanor Spector	(Former Dir. of Defense Procurement)
Air Force Materiel Command	GEN G.S. Martin	USAF
Briefing and discussion	Dr. Larry Delaney	Titan
Ethics in Military Organizations	Dr. Martin Cook	U.S. Air Force Academy
Ethical Leadership	COL George Reed	U.S. Army War College
Views of a Former Under Secretary	Dr. Jacques Gansler	(Former USD(AT&L))
Defense Industry Initiative on Business Ethics and Conduct	Mr. Dick Bednar	Defense Industry Initiative
Raytheon Ethics Program	Ms. Patricia Ellis	Raytheon
Ethics and Business Conduct at Lockheed Martin	Ms. Maryann Lazan	Lockheed Martin
Ethics at Boeing	Mr. Matthew Frank	Boeing
Defense Contracts Management Agency	Ms. Sallie Flavin	DCMA
DARPA	Dr. Tony Tether	DARPA

27-28 Jan. 2005

Special Access Programs (SAP)	RADM Joseph Enright	OSD
Conference Call Briefing	Dr. Norm Augustine	LMCO
Briefing and discussion	Mr. Jack Welch	Former Assistant SecAF (Acquisition)

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U.S. Senate. Senator John McCain speaking on the Boeing 767 tanker lease, 108th Cong., *Congressional Record* (20 November 2004), vol. 150, pp. S11776-S11789.



E. ACRONYMS

ACTD	Advanced Concept Technology Demonstration
ADCNO	Assistant Deputy of Naval Operations
COCOM	Combatant Command
DARPA	Defense Advanced Research Projects Agency
DCMA	Defense Contract Management Agency
DII	Defense Industry Initiative
DoD	Department of Defense
DSB	Defense Science Board
HASC	House Armed Services Committee
IG	Inspector General
JRAC	Joint Rapid Acquisition Cell
LMCO	Lockheed Martin Corp.
MDA	Missile Defense Agency
MDAP	Major Defense Acquisition Programs
NDU	National Defense University
OFPP	Office of Federal Procurement Policy (OMB)
OGC	Office of (the) General Counsel
OMB	Office of Management and Budget
PADUSD	Principal Assistant Deputy Under Secretary of Defense
PDASN (RDA)	Principal Assistant Secretary of the Navy for Research, Development and Acquisition
PEO	Program Executive Officer
SASC	Senate Armed Services Committee
SAE	Senior Acquisition Executive
SAP	Special Access Program
SecAF	Secretary of the Air Force
SecDef	Secretary of Defense
SES	Senior Executive Service
SOCOM	Special Operations Command
SSA	Source Selection Authority
TOR	Terms of Reference
USA	United States Army
USAF	United States Air Force
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
USN	United States Navy

